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AUG 9 1950

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DATE

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Action Taken

August 8, 1950

12:55 P.M.

FROM: Taipei

TO: Secretary of State

NO: 212, August 8, Noon

Office of
CHINESE AFFAIRS
AUG 9 1950
DIRECTOR
Department of State

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Had long private talk with [redacted] last night. Without any preliminaries he launched into discussion of party "reform", referred to our previous conversation (MYTEL 85 July 18) in which he had been optimistic over chances of real reform, and proceeded to admit his hopes completely dashed.

In his view the CC Clique "has been dealt a blow" but by no means a fatal one, and rise of Chiang-kuo bodes no good for government or people. Ref. committee is bunch of sycophants. [redacted] says Generalissimo has violated ancient Chinese tradition by elevating his family members and Chinese do not like it, and they hate Chiang Ching-kuo and his methods.

Most serious thing in [redacted]'s view is secret police activity and reliance of Generalissimo on it. In this way he is emulating Communists.

[redacted] says K. C. Wu not standing on his own feet using natural strength of his position, but playing politics. At loggerheads with Chen Cheng, Wu called in help of CC Clique to his support and thus ruined his moral position. In case of revised pay for Civil Service, which made them worse off than before, K. C. did not stand his ground. Pay scale has been revised upward at last but K. C. lost much face. He has lost goodwill of Formosans because he associated self with Finance Commissioner Jen in late compulsory savings lottery. In addition he has become loud-mouthed and prophetic (this is third time recently that a prominent Chinese has said this to me).

[redacted] claims he was warned Generalissimo (through Wang Shin-chieh) that he should not assume MacArthur's visit to mean split in US Government. He also said Generalissimo very badly needs to be warned not to consider visit too significant for himself personally, but he realizes no one will tell Generalissimo this. Says many ranking authorities fully expect MacArthur solve all problems, provide military and economic

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-2-#212, August 8, Noon, from Taipei.

and economic aid, start world war, and put Generalissimo back on mainland, but people do not realize negative strategic value of Taiwan compared to positive value of Europe and Middle East, do not realize US will not return Generalissimo to mainland, and do not see that US might lose Japan and Taiwan soon after a third world war broke out if it happened soon. Says leaders of China must arise from mainland.

According to [redacted] he told Generalissimo after return from Hong Kong that Communists were better than Nationalists in that they were not easily corrupted and they learned from their errors. Generalissimo said to have showed real displeasure. (30/5)

Generalissimo may reorganize governments now, but will not mean anything.

MacArthur's visit did serve to buck up morale, even though it created wrong impression.

[redacted] claims Chinese authorities have asked him how Rankin compares with me; his reply is: "Have no illusions, there is no change or split in US policy." "

I then told [redacted] hoping he would pass it on to Wang Shih-chieh, that few Chinese dared visit my office because of surveillance and questioning by secret police; despite this I kept informed and US Government well aware of what goes on here. [redacted] admitted he knew people feared to visit Embassy and Attaches but felt he himself could not be touched. "

[redacted] was more frank and realistic today than ever before and obviously is most unhappy at internal situation. His stock of goodwill being depleted. However, he says he will continue to do his best here. He hopes US will begin active program to overthrow Chinese Communist regime. "

MAM:ES

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